

EXECUTIVE SESSION

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THURSDAY, SEPTEMBER 27, 1979

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United States Senate,
Committee on Finance,
Washington, D. C.

The Committee met, pursuant to recess, at 2:55 p.m., in Room 2221, Dirksen Senate Office Building, the Honorable Russell B. Long (Chairman of the Committee) presiding.

Present: Senators Long, Ribicoff, Bentsen, Moynihan, Boren, Bradley, Dole, Danforth, Heinz, Wallop, and Durenberger.

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The Chairman. There may have been some misunderstanding. If I understand correctly, Senator Moynihan would be willing to settle for the 2.7 in the Senate bill, with the understanding that we will come to terms with the House. They will have a higher figure, and we will come to terms with them when we go to conference. Is that right, Senator?

Senator Moynihan. That is right, Mr. Chairman.

The Chairman. So, for 1980, we would settle for the 2.7. Right?

Senator Moynihan. Yes, sir.

The Chairman. And that will help with our budgetary response, at least for the time being it will.

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What other points have we left unsettled here that we ought to settle before we get on to the other items?

Mr. Stern. The House bill allows \$200 million earmarked for child care in fiscal year 1980 and 1981. That has been a separate program in the past, and we would not see any reason not to do that in those two years as well.

The Chairman. Then without objection we will do both those two things.

Mr. Stern. The next question, then, is the amount after fiscal year 1980. You have \$2.7 billion for fiscal year 1980, but you have not decided if you want any amounts above that after 1980.

The Chairman. What is your suggestion as to that, Senator?

Senator Moynihan. I think, sir, it should be \$2.9 billion in 1981, and then provide a \$100 million increment per year leveling at \$3.3 billion in fiscal 1985. This is in the way of letting people have some idea of what will happen. I acknowledge what Senator Chaffee, I believe, said this morning, that in fact, if inflation goes on the way it does, we are certainly not expanding this program.

The Chairman. Is there objection?

(No response.)

The Chairman. Without objection, agreed.

Mr. Stern. Mr. Chairman, I simply want to mention that we will have to draft this in a way that may look a little

bit odd in order to achieve this result and not be subject to a point of order under the Budget Act. It will look like it is an indexed amount, but not to exceed the amount that Senator Moynihan said.

That particular technique was used and avoided a point of order on the revenue sharing when you last did it, so it will be drafted in a way that looks a little bit odd.

The Chairman. Fine.

Senator Moynihan. Mr. Chairman, I have three minor points to take up quickly. We agreed to permit private foundation funds to be used as part of the state matching requirements for the training under Title XX. I would like to ask that that be only for one year, since we have undertaken to review the whole training provision in the course of this coming year.

The Chairman. Without objection, agreed.

Senator Moynihan. Secondly, in the two-year delimiting provision for filing of state claims, I read an amendment giving the Secretary of HEW a right to waive in certain circumstances. It is suggested that that be limited to 5 percent of the total involved. I would like to ask that we leave our expert drafters to write a tight provision without a fixed amount, because there are circumstances in which a fixed amount would defeat the purpose of the waiver possibility.

The Chairman. Do you see a problem in that, Mr. Stern?

Mr. Stern. This is the case where, for example, there might

be a court order, or there might be some specific reason why you would be handling a claim that is more than two years old, and you would not necessarily want to be limited to 5 percent in that case.

Senator Moynihan. That is right. We should not set up an accident.

The Chairman. Without objection, agreed.

Senator Moynihan. And lastly, Mr. Chairman, something I hope we can be very clear about in our language with respect to this delimiting provision and so forth, to say that it is the intention and understanding of the Committee that the existing entitlements are in tact and unconstrained, notwithstanding any limitations that Congress may place on individual appropriation acts.

It seems to me the principle of the Social Security Act, the entitlements have to be defended by our Committee. If we want to change entitlements, let's do so, but while they are there, as entitlements, it seems to me they are not subject to the appropriation process, and I would like our language to be clear on that.

Mr. Stern. Is that report language you are talking about, Senator?

Senator Moynihan. Report language.

The Chairman. All right.

Senator Moynihan. Thank you, Mr. Chairman.

The Chairman. Without objection, agreed to.

Now, what is the next point we have to settle here?

Mr. Stern. The last question, Mr. Chairman, is whether you want to consider some of these additional savings.

The Chairman. Well, I think we need to because we are under pressure by the Budget Committee to try to come up with some savings, and it would help this bill if we could do it. So, tell us about these proposals.

Mr. Stern. There are four proposals here. They were chosen on the basis that three out of the four have passed the Senate before and one has been recommended by the Administration.

The Chairman. Let's talk about the three that have passed the Senate already.

Mr. Stern. All right. The first one is AFDC earnings disregard. Under the present law, states are required to disregard the first \$30 that an adult AFDC recipient earns plus one-third of additional earnings, and then also work expenses are deducted from earnings in calculating the benefits, and this does have the result, particularly with the unlimited work expenses, in phasing people off of welfare at a rather high level so that the Committee has in the past approved an amendment which the Senate has also approved which substitutes for the \$30 plus any work expenses, instead a flat \$60 for individuals working full-time, plus child care expenses.

So, it would be \$60 earned monthly by an individual working

Moynihan, Senator Williams, Senator Bradley, Senator Baker, Senator Bellman, and Senator Danforth, we submitted a compromise disregard formula which will save a minimum of \$128 million compared to the Committee's \$240 million estimated savings, and it does not impact so dramatically upon the poor. I think it is a much fairer proposal, and I would hope that the Committee would accept this compromise instead of the staff proposal, and by doing it you would save \$128 million.

The Chairman. Tell us what the proposal that you are advocating would do, the Ribicoff proposal.

Senator Ribicoff; Would you explain that, or how that works? \$128 million would be saved. That was the Administration's proposal, too, in S. 1290, that we put in.

Mr. Stern. As I understand it, the disregard is the first \$70 of earnings plus child care plus 20 percent of gross earnings plus one-third of the remainder. Is that correct? I think the reason you have such a difference in the case of the family earning \$600 is because that is a family with total income of \$7,200 a year, and it was the Committee's purpose to try to cut off the level of total income at which the family is still on welfare fairly sharply after reaching minimum wage.

So, I think that is precisely the area where the -- The difference in \$128 million and \$248 million is probably mostly from lower middle income people, because that is where the

major difference is.

Senator Ribicoff. Well, but today, with the prices, and inflation going up, and the impact on people at that level, we want to encourage them. There is no break that they are getting really in the whole welfare picture as against those people who don't work, and we should be encouraging to the fullest extent possible those who are trying to work and trying to pull themselves up by their own bootstraps. Everything we are talking about in this Committee is, how do we encourage people to work?

Now you are just doing another blow, and you know, you have a pretty representative group here when you have Ribicoff, Moynihan, Williams, Bradley, and then you go to Baker, Bellman, and Danforth, and we understand that proposition, and we sort of halved it in our proposal in our own sort of welfare reform.

The Chairman. Well, let's just see if we might work out something in the spirit of compromise now. You have a proposal here. You are talking about \$70, and we are talking about \$60. It would seem to me that you could yield to us on that \$10, I mean, just for starters. I think on that point you could yield.

Now, what is the other point? One thing that bothers me about your proposal is that you have two or three different figures. I would like to just have one. In other words, \$30 and one-third at least has one advantage to it, and that is, you can understand it. It is \$30 and a third. Now, what is your other figure?

Mr. Stern. In both cases they exempt for child care, so that would not be in the picture. Other than that, Senator Ribicoff's proposal is \$70 plus 20 percent plus one-third, which I think would be \$70 plus 53 percent.

The Chairman. It is \$70 plus?

Mr. Stern. Well, when you add 20 percent and 33 percent, you get 53 percent.

The Chairman. Is the 33 percent an add-on to the --

Mr. Stern. Twenty percent. Yes, sir.

The Chairman. -- 20 percent?

Mr. Stern. So it amounts to \$70 plus 53 percent, as opposed to the other version that the staff was suggesting that has passed the Senate, which is \$60 plus 33 percent.

The Chairman. Well, I was just thinking, wouldn't it reduce the cost of it and bring it to somewhere about a middle point if we make it, let's say, something like \$60 plus a third? This is a \$60 thing. Oh, this is \$60 plus a third that you are talking about in the amendment?

Mr. Stern. Yes, sir. The one that the staff brought up earlier is \$60 and a third, basically, and Senator Ribicoff's is \$70 plus 53 percent.

The Chairman. But he would not allow all work expenses, just as ours would not allow all work expenses.

Mr. Stern. That is right. Neither proposal allows work expenses itemized and both proposals allow child care separately,

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so the only differences are the numbers. It is \$60 and 33 percent or \$70 and 53 percent, a difference of \$10 in the basic amount and 20 percent in the percentage.

The Chairman. About where could we split the difference?

Mr. Stern. \$65 and 43 percent would be exactly halfway.

Senator Moynihan. What about \$60 and 40 percent?

The Chairman. Why don't you make it \$60 and 40 percent?

That is something people can understand.

Mr. Stern. Okay.

(General laughter.)

The Chairman. Yes, sir?

Senator Danforth. The point is that Senator Ribicoff's proposal would itself save \$128 million, so that in itself is the savings, so I think really the question is, as I understand it, how many people who are now on the welfare rolls are going to be lopped off the welfare rolls. It is my understanding that the staff's proposal is that it is a very substantial number, and I am just wondering if -- and it seems to me that Senator Ribicoff's proposal is a substantial savings, and at a time when the economy is in decline, when we have a recession, according to our Secretary of the Treasury, plus very high inflation rates.

It would just seem to me that this is not the time to be much more severe than Senator Ribicoff's proposal.

The Chairman. The thought occurs to me that really, you

know, if we just changed the law to say that these people could use this -- pay these people to work rather than pay them not to work, and then just give them the simplest type of things to do, just to keep the place clean, or do a little gardening around the place, beautify the place a little bit, do a little repair, fix those broken windows, as exist 'in most low-income areas, you would have a lot nicer neighborhood, and nobody would have to do much work, just a little something, and you would have a tremendous saving on the program that would make this look small.

Senator Moynihan?

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Senator Moynihan. Mr. Chairman, I think that the direction in which we are moving is actually away from the one in which you would wish to go and have supported and this Committee has supported. I think we have to do something, but I would wish to record that we are doing this not because anybody thinks it is a very good idea, but because the Budget Committee is forcing us to do it, and in what seems to me a heartless, they informed us to cut \$1.4 billion. I voted against it and said to them at the time, you won't like what we are doing, and they won't, and that whole process lets that Committee, on which I sit, decide, with no knowledge of the subject matter at all, just take it off.

We are reversing here something that has taken ten years to build up. I would say that there is one advantage to this

procedure which Senator Danforth and Senator Ribicoff and I and others have proposed, and also what the Committee staff proposes. It does eliminate a lot of the paperwork about exact work expenses. I mean, that is not a very useful activity for anybody. There are child care expenses, but other than that, it raises the automatic level of disregard, that initial, and then you don't go accounting for every bus fare. That is the only advantage.

The Chairman. I am concerned about the complexity when we draw these laws.

Senator Moynihan. Yes, that is right.

The Chairman. That is why it seems to me that people understand the \$60. It is \$30 now. If we move it up to \$60, that is twice, and I should think that ought to be enough, and then if we say, all right, now, rather than have two figures, because I don't understand the 20 percent plus -- what is the other figure?

Mr. Stern. One-third, 33 percent.

The Chairman. Plus 33. Why don't we just settle on a figure? Say, well, you allow them \$60 and then allow them some other figure. I mean, it seems to me as though the 40 is a good figure. They get a third now. If you make it 40 percent, that is a nice figure. I think that is a pretty good figure.

Mr. Ribicoff. What does that amount to, about? What is the total saving on that basis, the \$60 and 40 percent?

Mr. Stern. As a rough guess, I think it is about halfway in between.

Ms. Amidei. Just moving from \$70 to \$60 saves about \$24 million, so that step alone, even if you don't make any other change, would give you an additional \$24 million.

I would like to, if I may, just mention that that 20 percent represents a reasonable amount related to what we know about work expenses for this particular population. We know what poor people are now claiming in those itemized expenses that Senator Moynihan mentioned. We have reason to believe that it is about 20 percent of what they are able to earn, and so that is where that 20 percent figure comes from. It is a simple calculation.

The Chairman. Now, you say 20 percent plus a third, right? That is 53 percent. Why don't we just make it 50 percent, so you can keep \$60 and you can keep half the rest?

Mr. Stern. May I ask the question, since I don't know the proposal, is it 20 percent and then one-third of the rest which would not actually be additive?

Mr. Barth. The disregard, the one-third is gross earnings net of work expense disregard and net of the initial \$70 disregard, but not the child care.

Mr. Stern. So the one-third only applies after you have taken out the \$70 and the 20 percent?

Mr. Barth. Right.

Mr. Stern. Well, then, I guess it is not 53 percent. It must be closer to maybe 45 percent.

The Chairman. Let me see if I understand this. I know I am not very bright, but I do have two college degrees, and if I have difficulty understanding this, I know the average welfare client might have a little problem understanding it. Now, do you mind explaining how this thing works again, because I am not sure I understand that?

Mr. Stern. Mr. Chairman, in round numbers, it seems that those two percentages, when taken together, have the effect of about 47 percent. Since the former Senate proposal is 33 percent, halfway between 33 and 47 percent is 40 percent.

Senator Moynihan. I cannot too much emphasize my agreement with the Chairman that this must be kept simple. It is just so awful to introduce into the calculations of ordinary people the sophistication of corporate accounting.

Senator Ribicoff. What would it be if it were 50 percent, without the \$60, without the \$70, without the 40 percent? What would it do if you just gave people a straight 50 percent disregard of work-related expenses? What would that amount to?

Mr. Stern. You mean what would the savings be?

Senator Ribicoff. Yes, any idea?

Ms. Amidei. Senator, we will try and figure it out quickly, if we can.

1 Senator Ribicoff: Let's make it 50 percent. That would
2 be simple. Everybody is looking for simplicity. I don't know
3 how these people can figure this out. Would that make any
4 sense?

5 Senator Moynihan: I do not want to introduce something
6 because it sounds easy, but a 60/40 arrangement would come out
7 in that example at \$300 instead of \$273.

8 Senator Ribicoff: That is all right.

9 Ms. Amidei: Senator Ribicoff, if you take an example of a
10 lower earner, for example, someone who earned only \$100 rather
11 than \$600, taking a flat 50 percent would be less advantageous
12 to that lower earner than the higher earner. It would not have
13 the same effect in all cases.

14 Mr. Barth: That is because work expenses tend to be
15 fixed. You have to buy a uniform or something else.

16 Senator Ribicoff: I am curious. Are you in a situation
17 where people on welfare who work only earn \$100?

18 Mr. Barth: Something like 16 or 17 percent of AFDC
19 recipients will sometimes during any given month work a
20 relatively few hours. One of the reasons that the initial \$30
21 disregard was put in the law and why we propose to simply
22 adjust it upward in the administration's bill was just to
23 adjust it for inflation so that people who were starting out
24 to work and only earning a small amount will continue to have
25 some incentive.

1 Senator Ribicoff: What about the \$50 straight across the
2 board, 40 percent of the balance?

3 Senator Moynihan: Sixty/forty in the case of someone
4 earning \$100 would leave \$24 of income to be counted. That is
5 not going to wipe us out.

6 Mr. Barth: We were responding to not having any initial
7 disregards.

8 The Chairman: I think most people would feel they would
9 have a better deal with 60/40. They keep the first 60. They
10 keep that. It is all theirs. They keep the first 60. Then
11 you disregard 40 right now. Right now you think in terms of
12 30-1/3. You get 40. It seems to me it comes out about where
13 we are trying to come out.

14 Senator Moynihan: Forty percent of \$600. Mike?

15 Mr. Stern: That is right.

16 The Chairman: How is that, Mike? Tell us what that
17 means.

18 Mr. Stern: One step plus \$60 instead of \$70 brings you to
19 \$540. Then you allow him 40 percent. Under the suggestion of
20 a gross \$240, subtract \$240 from \$540, and that leaves \$300,
21 which means under that proposal, of a family earning \$600,
22 that is \$300 counted against welfare, and the other \$300 not
23 counted.

24 Senator Chafee: How do you get saving money as against
25 the present system? It is only 30-1/3.

1 Mr. Stern: The real difference is under the present
2 system, work expenses are open ended and you can really
3 compile a fairly long list of work expenses.

4 The Chairman: It is almost to your advantage to have a
5 lot of work expenses.

6 Mr. Stern: That is where all of these proposals save
7 money, including Senator Ribicoff's original proposal,
8 basically by fixing a rule on what work expenses are.

9 Senator Ribicoff: How much will that proposal save in the
10 overall?

11 Mr. Stern: If your proposal is 128, the other one, 240,
12 this would be \$180 million, somewhat more than yours.

13 Ms. Amidei: There was \$124 million.

14 Senator Ribicoff: What do you recommend at HEW? You are
15 concerned about this. What is your recommendation?

16 Ms. Amidei: Precisely what you described earlier, being
17 the bill you are sponsoring, Senator. We have proposed the
18 initial disregard as it is listed up there plus child care,
19 plus the 20 percent flat for work expenses so they don't have
20 to itemize that in the office, and a third of the remainder.

21 The Chairman: Let me make this suggestion to you. We are
22 talking about going with something that would save less money
23 than the Senate had before. And if we agree to what the 60/40
24 arrangement is, what you start out with is still in the area
25 of a compromise, not greater savings from that.

1 Ms. Amidei: If I may clarify, it is not clear to me. If
2 you are talking about \$60 initial disregard and then 40
3 percent, whether child care is included.

4 Senator Moynihan: It would include child care.

5 Ms. Amidei: It would include child care?

6 Senator Moynihan: Yes.

7 Ms. Amidei: It is only claimed by relatively small
8 proportions of the population.

9 Mr. Stern: Under both proposals, child care would be a
10 separate itemized item, an extraordinary expense.

11 The Chairman: Both proposals would regard child care as
12 a deductible expense.

13 Mr. Stern: In the hypothetical example, I have left it
14 out. The Senate left it out, too.

15 Senator Ribicoff: How is that with HEW, that proposal
16 there? As long as you can deduct child care and go to the \$60
17 flat plus 40 percent after that.

18 Ms. Amidei: Our reaction?

19 Senator Ribicoff: Don't figure what we want. What do you
20 think is fair?

21 Ms. Amidei: Certainly this would be better for
22 recipients, and I think fairer than the proposal which we
23 suggested to the committee. I would still continue to prefer
24 what you suggested initially. I think that would be the most
25 fair to recipients. I think it is quite fair to describe

1 this as somewhere in the middle.

2 The Chairman: If we agree to this, your original
3 proposal is still in the area of compromise anyway. You can
4 talk about it in conference.

5 Senator Ribicoff: Let's take it here. I want to see if we
6 can get some more contact with the people in the House that
7 will go back to where we are now.

8 Ms. Amidei: There is one thing, Senator, if I may. As a
9 a general rule, we will prefer to see these kinds of issues
10 resolved in the context of a broader welfare reform proposal,
11 obviously.

12 Senator Moynihan: So would we.

13 The Chairman: So would we. Did you ever hear the Budget
14 Committee, ever hear of the budget resolution? Did you ever
15 hear of \$1,400,000,000 they asked us to come up with?

16 Senator Ribicoff: What bothers me is you are bargaining
17 with people who have no say. You are dealing with a segment
18 of the population who has no bargaining power, which bothers
19 me the most. We are bargaining back and forth. These are
20 silent millions who will take what they can get. They have no
21 say in their future. They are the people who can least afford
22 anything, and that is a tragedy. That is why I am reluctant
23 to give anything away from this group of people.

24 The Chairman: I hate to think what would happen to
25 people if we had declined to do something until we got the

1 whole welfare reform thing. We have done all kinds of things
2 to improve the system, earned income credit, among other
3 things, all kinds of thing. We are under pressure. We are
4 going to have to save some money in some places in order to
5 meet the budget resolution. And this is one that will help.

6 Is that all right with you, Abe, to go along with this?

7 Senator Ribicoff: I would go along with it, but I am not
8 going to be very supportive of you in conference.

9 The Chairman: I heard you. I heard you. We will
10 project a better image on the floor. We will just see where we
11 go from there. I think that is fair. Can you compromise on
12 that, Pat?

13 Senator Moynihan: It is a question of what is imposed
14 upon us by the Budget Committee and we have to do it. I would
15 say, however, it is no favor to dependent people to give them
16 computations that the Senate Finance Committee cannot manage.

17 Senator Danforth: I think they are too different
18 questions. You have the simplicity questions. One, it is good
19 to be simple. No doubt about that. The other question is how
20 many people are going to be affected by what we are doing.

21 Senator Moynihan: By the time we go to conference, we
22 will have that.

23 Senator Ribicoff: My feeling is if you go to 50 percent
24 offhand, without putting it through the computer that you are
25 using with a pencil sharpener, Mr. Moynihan, that it would

1 probably be about right, would it not? Simple and give you a
2 little more. It would approach S.1290, would it not?

3 Mr. Stern: It would be a little more than S.1290.

4 Senator Moynihan: I offer the thought that we can go up
5 in conference if we have worked out something with Budget.

6 Senator Danforth: I ask this: If you eliminated a fixed
7 dollar amount and went to percentages, you say there are
8 people who learn very little. If the whole object of the
9 earned income disregard is to provide people with an incentive
10 to work, a reason to work, I am wondering if you get down to
11 the very low earnings, that it is almost de minimus, is it
12 not?

13 I wonder what point is the cross-over where a person
14 would be benefited by the dollar reduction computation, and if
15 that is so low that for all practical purposes it is not a
16 job, somebody who baby sits ten times a year or something.

17 Ms. Amidei: The only point that I would ask you to keep
18 in mind is that sometimes just getting back into the work
19 force even for short periods of time during a week or for a
20 relatively low pay, or at least to get somebody back into the
21 notion of being in the work force again, it has a
22 tremendous advantage.

23 We want to be able to encourage that even if the first
24 job is only something that pulls in \$80 or \$90 a week or a
25 month. You would want to encourage that as well.

1 Senator Danforth: I would very much doubt that there
2 would be very many people who would sit down and, on the basis
3 of making computation of their earned income disregard, make a
4 decision to get back in the work force, especially if the
5 computation formula is very complex. It would seem to me that
6 the notion of having the figures fairly high -- notion of
7 having a fixed percentage earned income disregard and
8 in fact a one-step computation other than the child care.

9 Senator Moynihan: If the Senator would yield, there is,
10 in fact, a large amount of literature on this question of an
11 initial disregard which is very supportive. It just always
12 costs money to go to work, and the idea always is there
13 No one has to say it is going to cost me more to go to work
14 than to stay home, to eliminate that initial legitimate
15 calculation that it just costs too much.

16 I could give you another thought. How do you like 50/50?
17 That would come close to base calculations.

18 Senator Ribicoff: In my mind, 50/50 would be easy.

19 The Chairman: Where would 50/50 come out in terms of
20 calculations? Put your pencil to 50/50.

21 Senator Moynihan: The original one-third comes out \$275
22 as against \$273, on the one hand, and \$300 on the other, in
23 the case of \$600 where we assume there is no child care.

24 Senator Ribicoff: To me, I would rather go 50/50. I
25 think it is simple and people understand it. The people who

1 have this problem, at least they know where they stand.

2 The Chairman: Try to give us the best cost estimate you
3 can and let's try to get the best cost estimate we can on
4 50/50.

5 Senator Moynihan: What you have on the board, sir, a
6 50/50 would end up with a reportable income of \$275, obviously
7 not very different from \$273 or \$300.

8 The Chairman: It would seem to me that on your 50/50
9 arrangement, you ought to be talking about the 50 percent of
10 what is left. Let's assume you take the first \$50 out and you
11 get \$550.

12 Senator Moynihan: Fifty percent of what is left.

13 The Chairman: Then you are talking about 50 percent of
14 what is left.

15 Senator Moynihan: Yes.

16 Mr. Stern: Well, as you can see, that is quite close to
17 Senator Ribicoff's original proposal in this particular
18 example.

19 The Chairman: Do the dollars come out pretty close?

20 Senator Moynihan: Two dollars difference.

21 The Chairman: The overall dollars.

22 Mr. Stern: In terms of overall savings, it would be on
23 the order of Senator Ribicoff's original proposal. That is,
24 it might cost a little bit more. To put it a different way,
25 it would save a little bit less. Instead of saving \$128

1 million, maybe it would only save \$100 million or so.

2 Senator Moynihan: It is worth a try.

3 Senator Ribicoff: I would like to move the 50/50.

4 Senator Moynihan: I second.

5 The Chairman: Gentlemen, why don't we go for the 60/40
6 arrangement? Let me show you the compelling logic to it if
7 you go for the 60/40 arrangement. The 50/50 is in the area of
8 compromise on the original. The Ribicoff proposal also is in
9 the area of compromise. And the whole thing is in the area of
10 compromise.

11 If we go the 50/50, none of it is in the area of
12 compromise.

13 Mr. Stern: Sixty/forty is a little bit better for people
14 at the low end.

15 Senator Ribicoff: Sixty/forty is better.

16 Mr. Stern: You are giving them more off the top.

17 The Chairman: I hope nobody repeats this. If we go in
18 for 60/40 and we come out with 50/50, Mr. Corcoran will think
19 he did something great. If we go 50/50, he will think he did
20 not.

21 Ms. Amidei: The people under \$100 would do a little
22 better under 60/40, and anybody under \$150 would do better
23 with 50/50.

24 The Chairman: We can argue about that in conference.

25 Senator Ribicoff: By that time, I will come up with

1 figures.

2 The Chairman: Meanwhile, we would welcome somebody doing
3 a little imaginative work down there at the Department of HEW.
4 We don't press them all that often. Get some ideas.

5 Senator Ribicoff: Let's go with 60/40. We have Senator
6 Danforth, Senator Moynihan, myself. We will be on the
7 conference to see if we can work this out, and I will have the
8 staffs work this out to try to be fair and equitable. That
9 would be helpful to get people off welfare, to encourage
10 people to work.

11 The Chairman: Understand: the 50/50 is in the area of
12 compromise. When we go to conference with this proposal, we
13 will have compromise if we are going to get any of it.

14 All in favor, say "aye."
15 (Chorus of "ayes.")

16 The Chairman: Opposed, "no."

17 (No response.)

18 The Chairman: The "ayes" have it.

19 Mr. Stern: On the example on the board, I deducted 40
20 percent against the gross, including the first 60. Is that the
21 proposal you agreed on? Sixty dollars where the 40 percent
22 applies against gross earnings.

23 The Chairman: It seems to me it should all be against
24 the remainder.

25 Mr. Stern: Against the remainder.

1 The Chairman: Against the remainder. All right, now.

2 What else do we have? If we wound up with 50/50, that
3 would be agaisnt the remainder. It will fit the same pattern.

4 What is next?

5 Mr. Stern: The next is related to earnings disregard.
6 Under present law, if a person does not report earnings, then
7 later on the agency finds out about earnings, they have to go
8 back and give them the earnings disregard. And as a penalty
9 for failure to report earnings and encouragement to report
10 earnings on a current basis, this proposal says that if they
11 don't report the earnings, they will not get the disregard on
12 that amount that they have earned.

13 The Chairman: It is a small item, \$26 million for budget
14 purposes. It would help us.

15 Now, on the Income. Explain the income of
16 step-parents.

17 Mr. Stern: This is a proposal for computing the income
18 of step-parents.

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The Chairman. These are things we have done before. Now, income of step-parents, explain that.

Mr. Stern. All right. This is a proposal of the Administration. Under the present law, step-parents' earnings or the income cannot be considered in calculating the benefit due a step-child unless a step-parent is legally responsible for the step-child under state law, so in almost all states, if there is a family with a step-parent, it receives AFDC regardless of the income of the step-father or the step-parent.

The Administration's proposal, which is in the bill that Senator Ribicoff referred to earlier, allows the state -- not allows but requires the state to take into account a part of the step-parent's income. First you subtract the needs of the part of the step-parent's family that are not in the welfare group, and then you subtract out any alimony or payments to dependents living elsewhere, but then anything left after that would count as income available to the household for AFDC purposes.

That proposal would save \$56 million.

Senator Ribicoff. I think here, too, S. 1290, with the same group of sponsors has a 20 percent income disregard for work-related expenses. Why can't we give that? Because again, that is helping and encouraging people who have got responsibility for welfare to work.

Mr. Stern. Well, this is a somewhat different issue. This

relates to step-parents.

Senator Ribicoff. I know, the step-parents. For step-parents, give them a 20 percent income disregard for work-related expenses incurred by the step-parent, because the step-parent is carrying some of the burden of the people on welfare. We want to encourage him.

Mr. Stern. They are not carrying the burden. That is the point of this amendment, to attribute their income as available to the step-child who is on AFDC, instead of just pretending that it is two sort of different units, and then you just do not pay any attention to the step-parent unit.

The Chairman. Wouldn't you subject that to the same income disregard that you would have in this other amendment?

Mr. Stern. Your proposal is to give them the same disregard?

Senator Ribicoff. We were going to give less, but I will take what Senator Long talks about.

The Chairman. I assume the dependent would have the same income disregard as the other one, wouldn't he?

I assume when you've got a step-parent there, it is all one family.

Senator Chafee . But isn't this a situation where you don't take into account the step-parents' income? Isn't that the situation here?

Mr. Stern. The situation today is, you treat it as though

there is sort of a mother and child over here and --

Senator Chaffe . Mother and child, and step-father over here, and you don't count his income even though he is married to the mother.

Mr. Stern. And they are all living in the same household.

Senator Chaffe . Unless under the state law somehow he is responsible for that mother's children.

Mr. Stern. Right.

Senator Chaffe . So, what this was, as I understand it, was to take into account some part of that step-parent's income, that step-father's income. Is that right?

Mr. Stern. That is correct.

Senator Ribicoff. What we are doing, because of that, is giving him 20 percent disregard for work-related expenses, figuring that that is sort of a fair element of his contribution to the child and the mother if he has no legal obligation.

The Chairman. If you just reduced the step-parent's income by 20 percent, and then you just did the calculations you've got here, where would you then come out?

Mr. Stern. If you take the 20 percent first and then subtract the items listed there, well, I would guess that that would make significant inroads into the savings which would otherwise occur.

Senator Ribicoff. Has any member from my staff got the

figures here?

Mr. Stern. I am guessing that it might be a \$30 million to \$40 million savings if we did that.

Mr. Ribicoff. Does HEW know what the savings would be out of S. 1290 for the 20 percent of step-parents' work-related --

Mr. Barth. Not offhand, Senator, but I would think that it would be of the order of magnitude of the reduction and the estimated savings that Mr. Stern suggested.

Mr. Stern. Perhaps you should take the 20 percent after you deduct for the cost of his own family and alimony and so on as being the amount you attribute as available for the child, and then take the 20 percent of that. That would be a lesser loss.

Mr. Barth. That would be lesser, yes.

Senator Ribicoff. But there still would be a substantial savings, wouldn't there?

Mr. Barth. On the basis of this estimate that might get you back another \$5 million.

Mr. Stern. Perhaps a \$40 million savings.

Senator Ribicoff. Instead of \$56 million, you would have a \$40 million savings?

Mr. Stern. Perhaps something like that. So in effect, you add a new Item Number 4, the three items here and then Number 4 would be minus 20 percent of the rest.

Excuse me. Senator Chaffee?

Senator Chaffee. I wanted to ask the Department people for a 30-second answer. In Number 3 there, it seems to me these are making ramifications in people's living habits that we are just not quite aware of. For instance, if a father marries a mother who has some AFDC children, and now, under what we have passed, and I think this is a very difficult exercise, as the Chairman said, under what we have passed, he is going to be responsible for some of the upkeep and care of those children. I just wonder whether it is going to discourage marriages, and the putative father just move in.

Can you give me your reaction in 30 seconds or less?

Ms. Amidei. I am ashamed to do it, but I think this is one area where we don't have any hard evidence. I do not know whether that would in fact be the case. I can think of the instance you are describing, but I just honestly don't know, Senator.

Senator Chaffee. Well, thank you.

Senator Danforth. Mr. Chairman, I think that is a very good point, because every time we have a tax bill we go to a great extent to discuss the so-called marriage penalties. I think the point that Senator Chaffee has made is something that is intriguing. We do not know the effect of what we are doing.

Ms. Amidei. So the fact that we are going to protect against obligations he has elsewhere for any dependents living

elsewhere or any other dependents would, I think, help mitigate the problem that you are concerned about.

The Chairman. Well, you see, in that area, though, that is the same problem you've got throughout the whole AFDC. Here is a man who is going steadily with a lady, and she has some children, the family is on welfare, and they say, well, why don't you marry the gal? Because I can't afford it. If I do, she goes off the welfare. That is how it is now. That is a problem we did not create. That is how I found it when I got here. It is exactly the same problem that has been existing for a long time.

Senator Chafee. No, under this, her children would continue to collect welfare prior to the changes we have made today, and what we have done is reduce the amount that the children in effect can collect, and he becomes responsible to some degree, and he might say, look, I am not going to get involved in that. I will just continue visiting with her.

The Chairman. Yes, but you take a case where a man considers marrying even in many cases a woman who is the mother of his children, and you have got a great number of situations where the woman is drawing the welfare money, and if marries her, if he has the income, it is attributed to that family right off, and the result is that they will have to go off the rolls if they know about it. That has not changed.

Now, that takes care of this bill, doesn't it?

Mr. Stern. Except for ordering it reported, Mr. Chairman.
 The Chairman. All in favor of reporting the bill -- yes,
 sir?

Senator Danforth. Senator Dole, I think, may have a point
 that he wants to raise.

The Chairman. By all means. I didn't know the Senator
 was interested.

Could I ask, while Senator Dole is getting set, what is our
 overall expense and savings here? Now, we have saved about
 how much?

Mr. Stern. If we use our rough guesses on these four
 provisions, it would be about \$300 million on an annual basis,
 and I am assuming you would only get about two-thirds of that
 savings in the year 1980, so you have probably saved about
 \$200 million in fiscal year 1980 with these provisions here.

The Chairman. Thank you.

Senator Dole?

Senator Dole. I want to get back to the one I raised
 earlier this morning, Mike, and that is the extension of the
 SSI disabled children program. It is a matter of interest to a
 number of Senators on the Committee, Ribicoff, Bentsen, Moynihan,
 Chaffee, Matsunaga, Chafee, Bradley, and others. I am not
 certain. The question you raised this morning was whether or
 not it could be reported because of revenue problems?

Mr. Stern. Well, this program is at a \$30 million

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authorization level, I believe, and your bill would extend it for three years. There are going to be Committee hearings on SSI disability on October 9th and 10th. I realize it is after the beginning of the fiscal year.

Senator Dole. Well, I would like to take action on it now, because it expires September 30. There may be some problem from the standpoint of budget appropriations. Somebody was suggesting this morning since it was not included in the continuing resolution, no money has been requested for the program in the 1980 budget, but it is possible that HEW can consider part of the continuing resolution through some kind of a back-dating mechanism. I don't know how they do those things, but even if there isn't any appropriation, it would seem to me that we can't do anything without an authorization. We have been checking with the Appropriations Committee staff, and they indicate that it is not insoluble.

I would only say the program itself is a three-year program designed to help the states establish a system of referring eligible disabled children to programs which improve their chance of becoming fully functional. I just don't know how to handle it. I don't want it to expire. If we don't have hearings until October, it seems to me we ought to be able to take action on it now.

Senator Moynihan. If the Senator will yield, I think the Senator is correct. If we want to make changes in the program,

we can. We are going to have hearings. There will be time to make changes, but for the moment, let's keep the program we have, and then if we have a better or different idea, we can go as we do, but this is the program for disabled children, and it cuts off Monday morning if we don't do something.

The Chairman. Are we talking about merely continuing an existing program?

Senator Dole. Right.

The Chairman. Not changing it, just continuing it?

Senator Dole. As far as I know.

The Chairman. Is there a budget problem here, Mr. Stern?

Mr. Stern. Well, that is \$30 million which I don't believe was provided in the budget. I guess you just take it out of the savings here. I think that you might want to just put it on this bill, Senator Dole, because that would give the Committee just one more H. R. number for when you need it.

The Chairman. That's right.

Senator Dole. Good. I will be glad to trade that H. R. number for my proposal.

The Chairman. You never can tell. You might need one. You offer that as an amendment? All in favor, say aye.

(A chorus of ayes.)

The Chairman. Opposed, no.

(No response.)

The Chairman. The ayes have it.

All right, gentlemen.

Mr. Stern. The last thing that was pending on windfall profits was the tertiary exemption, if you are ready to turn to that.

Senator Moynihan. Have we reported out this bill?

Mr. Stern. I think you have already reported it.

The Chairman. All in favor of reporting the bill, say aye.

(A chorus of ayes.)

The Chairman. Opposed, no.

(No response.)

The Chairman. The ayes have it.

All right, now.

(Pause.)

The Chairman. I would suggest that we return to where we were on the windfall tax bill, and I just want to make this statement, just so there can't be any misunderstanding about it. I and I think almost all members of this Committee voted for the Packwood Amendments, or to amendments that went along with that, with the understanding that those amendments were going to be subject to being reconciled, and that the cost to those taxpayers will have to be reduced both in the rates and also they will have to be reduced by shifting the date so that the bill that we report will be a bill gaining substantial revenue.

Furthermore, this bill, we have been talking in terms

of net figures. We haven't been talking in terms of gross figures. This will additionally raising \$2 billion by the so-called windfall tax itself also raises \$2.5 billion in addition to that by virtue of the deregulation and the tax is already in place.

So, the sum to the effect of what we are going to do here will raise a lot of money. It is my understanding that the deregulation order is not going to stand unless we pass this bill, so this is really a bill to raise \$4.5 billion rather than a bill to raise \$2 billion, and even on the amendments that have been agreed to, they are all subject to being reconciled, particularly with regard to tax credits for the solar and the geothermal and all the various other things that have been suggested here.

I believe it is the agreement and the general consensus of the Senators here that, as we have implied in the beginning, as Senator Ribicoff made that point several times, that we are going to reconcile these amendments, and we are going to -- it is our plan to report a bill that is a substantial revenue raiser.

Now, I would like to turn to tertiary recovery. That is the issue that we were discussing at the time that we last discussed the windfall tax. Perhaps Senator Dole might want to comment on that. I see you've got a chart here.

Senator Dole. I favor the exemption of tertiary recovery.

I am not certain how we define tertiary recovery, but what I am suggesting is that there be -- I have an amendment, I think the so-called Bentsen Amendment, that would indicate the taxpayer -- My amendment, in case I am not here tomorrow or today when this is finished, would enact a new section of the Tax Code which would clarify the taxpayer may expense the injected tertiary recovery projects.

The amendment is designed to fit into the Bentsen proposal on tertiary. I have a copy of it which I will submit to the staff, but I am not certain how this works, but you put in this meriflood slug, which is \$30 a barrel, and you put in this polymer solution, which is \$2 a pound, and you get out petroleum sulfanate, and that is one of the processes used. It is very expensive, and I am just suggesting that the injections that are used to recover this oil can be expensed in these projects.

Senator Bentsen and maybe the Chairman have the amendment on exempting tertiary recovery, but there are a number of sophisticated techniques, and an article in Newsweek explains four of the different techniques, whether it is steam drive, combustion, emissible, or chemical flooding. We are not talking about a great deal of revenue in exempting oil recovered by tertiary recovery, are we?

Mt. Shapiro. We will have to look into it. In the tertiary recovery, generally, we are talking about one type of

it it may not be, but let's look into the amendment you have. Do you want it brought up after the tertiary is finished?

Senator Dole. I think it would be made a part hopefully of the exemption. I don't know if the Treasury has any objections to it, but there are a number of ways it can be done, and we would just like to have it considered when we bring up the amendment itself.

Mr. Shapiro. Your amendment is an income tax amendment, so let us look at it. A question has just come up on its application. We know what you are getting at. Let us look at it, and we will bring it up.

Senator Dole. Right. I will submit it to you, and I don't know of any problem with it, but within the amendment itself, on the exemption, I think Senator Bentsen has the amendment.

The Chairman. Yes, Senator Bentsen wanted to offer the amendment.

Senator Dole. Do you have that amendment?

Senator Boren. Senator Bentsen was going to offer the amendment. I think he will be here shortly.

The Chairman. Look, we are voting over there on the floor right now. Why don't we go vote and come back? Meanwhile maybe we can find other members and bring them back with us.

(Whereupon, a brief recess was taken.)

The Chairman. As far as I am concerned, I guess I could

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make my little speech in just a moment or two, and that is that you have the potential of producing twice as much oil if you use tertiary recovery. It is very expensive, in order to get the oil that way, but the alternative is to leave half the oil in the ground that could be recovered. In these exhausted fields, only one-third of the oil has been removed. Two-thirds of it is still down there, and people have to pump about nine barrels of water down there, plus detergents, in order to get it out.

The Administration has recognized the logic of this situation with regard to heavy oil, and I just assume that if the President has been as well educated on the subject of tertiary recovery generally as he is with regard to heavy oil, where he made quite a presentation over television to the American people, explaining all the additional oil you would get, you would just as soon favor tertiary recovery, period, rather than saying, well, it applies to heavy oil when you use heat to get it out but it doesn't apply to use of detergents or all the other things.

If you use tertiary recovery, in every field that has been depleted, you have got just that much more oil that can be recovered in the main. The alternative is just to leave it down there.

Senator Bentsen?

Senator Bentsen. Mr. Chairman, I have an amendment that

does this on tertiary. The amendment exempts from the tax the incremental tertiary oil and establishes a regulatory system for certifying and monitoring those projects. The purpose of this is to try to let American technology get on with the job of doing some of the things the Chairman has talked about.

The Department of Energy, in testifying before us, said that we have about 30 billion barrels of known recoverable reserves. That is our oil. But the tertiary recovery would increase that by 25 to 45 billion barrels. Now, that is not million. 25 to 45 billion barrels.

Now, when we are talking about tertiary recovery, we are talking about after completion of primary recovery of oil, and that is after we have used our water flooding.

Now, let me say that we first started water flooding in Texas, in the fields down there, in about 1936. Now, it took us 25 years before we were using it in a general manner, water flooding. I do not want to see it take that long on tertiary recovery. We are talking about the edge of technology in the industry.

Now, the oil industry obviously does a very poor job on public relations, but one thing that they excel in is technology concerning the oil industry, so today you are seeing it used all over the world, American technology. I want it used domestically to try to develop the kind of recovery out of tertiary that can more than double the reserves of this

country.

Now, we are talking about things like using an exotic mix of chemicals in the old Bradford field up on the Pennsylvania and New York border. That is one of them. The pipe for hundreds of miles, carbon dioxide found in its natural state. Hundreds of miles into Texas, Oklahoma, New Mexico, to put it back into the ground there. We are talking about generators that cost millions of dollars apiece out in California and in Louisiana to pump steam down, to bring this oil out.

Now, let me show you what we are talking about. The Chairman did it very dramatically and, I thought, well. when he talked about a pair of coveralls, as I recall, and using Tide or one of the others to get the grease out. Well, here is an actual core.

The Chairman. You had better tell them what a core is. Some people might not know.

Senator Bentsen. All right. A core -- this is the sandstone that is brought up, and this is permeated with oil, and I want to pass this down, and I want you to smell it and see, see what you've got there, and I want you to see how thick it is, the density of it.

Now, that is a field in Robinson, Illinois, where this one was used. These two samples came from a well that is 1,000 feet deep. It is in the Illinois basin. I have another one. Let's smell up the place here. I have another one.

Now, this one is after tertiary recovery is utilized. This is after the process has accomplished its objective. Look at the difference in the color. You see what has finally happened after you have brought it about.

This is a risky process, and it requires often hundreds of millions of dollars just for one project, just for one field to try to bring this about, and the element of risk is such that price does make a difference, and makes a very substantial difference.

Now, the Office of Technology, in its study, the Congress's own office said both the amounts and the timing of funds spent on potential tertiary recovery, they said, they are sensitive to the price that will be received for the oil. The OTA said that it would take today's price level of \$28 per barrel to bring on 1.8 to 2.8 million barrels of tertiary production by 1990, so I don't think it makes any sense at all to tax away these revenues that would bring about this kind of a result.

We are not talking about oil industry figures. We are talking about our own government's figures, the OTA and the Department of Energy.

So, I would strongly urge, Mr. Chairman, that this Committee adopt this amendment, which does these things. It says that on the decline curve up to the point that you initiate the tertiary recovery, you start the injection, or you have had approval of it, that that would be at 1.5 percent, and after that, if we

adopt what the Ways and Means Committee adopted, unanimously, I think, or at least by overwhelming voice vote, a 2.5 percent decline curve.

Now, in addition to that, we are talking about trying to simplify the regulatory process, so on Federal lands you would have the U. S. Geological Survey that would help do the certification of it, and if it was not on Federal lands, then it would be done by the state regulatory agency, but it would be reviewed, Don, by the IRS, to see that there was substantial evidence that they had complied, that this was a proper process, and all the rest of it, and if you had a case where you didn't have a state regulatory agency capable to do it, then the U. S. Geological Survey could do it there, and the IRS would have the right to go behind the findings of the State Regulatory Agency in looking at how they arrived at their conclusion.

Mr. Chairman, I rest my case at that point.

The Chairman. Mr. Lubick?

Mr. Lubick. Mr. Chairman, we certainly agree with Senator Bentsen that we do want to encourage the exploration of oil by tertiary methods. We think it is important, and that has been evidenced by the fact that we have immediately decontrolled the price of oil recovered by tertiary methods. The incremental oil that is found that was is now free to sell at the world price. In addition, in order to encourage this process, we

have decontrolled from the lower tier to the upper tier an amount of old oil that is the equivalent of the funds expended in order to finance the exploration by tertiary methods beyond the incremental tertiary itself.

We do think that with these advantages and with the advantages of the price that is going to be obtained, that that is an adequate incentive to secure this production. I will let Mr. Smith address the questions of technology, but it is our understanding that the problem is to secure the breakthroughs in technology, that the incentive of price will be there, and again we are talking about the same question, whether we should expend additional sums as an incentive compared to the amount of production that would be obtained.

I think I would like Mr. Smith to address those questions.

Mr. Smith. In terms of the added production that we project, I would have to say our figures are very uncertain because of the technological issues that remain unresolved. Clearly, the potential for tertiary recovery is very great, but the question of price alone I don't think is going to be adequate to maximize that recovery until we have substantial advancement in the technological development, and it is a question here of balance, judgment, of course, and the Administration came down on the side of taxing those categories of oil apart from the heavy oil.

The Lumen Associates report, which is the most detailed

study of tertiary recovery, was done for the Department of Energy last year. It suggested that there was relatively little price elasticity of the tertiary supply in the short run, that is, out through the mid to late 1980's, when you get much above a net of around \$20 a barrel, so it was on that basis that we made the judgment to recommend that the tertiary recovery oil be taxed, with the realization that even in today's world oil prices, under the House bill it would receive a net price of \$20 a barrel or more, and of course world oil prices keep going up, to the point that \$22 or \$23 is a more likely after tax price by some time next year.

Senator Chaffee. Mr. Chairman, I submitted legislation on this whole windfall profits tax and in the legislation I submitted we exempted tertiary, incremental tertiary, and I think that Senator Bentsen's proposal is a good one. I think it makes sense. I should think if there is one area where price elasticity would work, it is in this area.

Mr. Lubick. Could I just address one technical aspect? In general, we find the procedural and definitional suggestions which Senator Bentsen has made acceptable and satisfactory. We would, however, suggest that rather than shifting the decline curve for the pre-production period to 1.5 percent from 1 percent, that 1 percent is appropriate. We set that number in the House with a view to being clear and erring on the generous side in our ability to differentiate what is the

normal old oil production and what is the incremental production, and we set an arbitrary figure for a decline in the pre-production period at 1 percent, because that seemed to be even slightly better than the normal decline. Anything over that base then, when you got into production, would be attributed to the incremental tertiary part. If you go to 1.5 percent, it seems to us all you are doing is allowing as incremental tertiary a large amount of oil that is not truly incremental production, and I believe the revenue figures indicate that you are losing over the period of time from 1980 through 1987 an additional \$800 million that is difficult to justify.

Senator Bentsen. Let me say, Mr. Chairman, that the numbers I have say that the 1.5 percent decline is the more usual and average of the decline rate rather than the 1 percent, and that is why I chose that, and that shows, at least in the early years, 1980 and 1981, you are talking about a relatively small amount.

Mr. Lubick. Senator Bentsen, again, I think we have that same question that Mr. Smith discussed yesterday, that we are talking about a linear decline, and maybe if the 1.5 percent were on a declining balance, I think you would find that the 1 percent linear is really more generous after a short period of time.

The Chairman. Why can't we vote on the proposal, having the incremental tertiary proposal? The concept is that you

have got to prove how much more additional oil you get out by using tertiary recovery, and that is all you are entitled to get. Isn't that right?

Senator Bentsen. In the affected area.

The Chairman. Pardon me?

Senator Bentsen. The area that is affected by the tertiary recovery process, and it has to be certified that it is a reasonable process, and that it is a justified process, and you have all the protection written in against fraud and the rest of it.

The Chairman. Why don't we call the roll, and we will just poll the absentees as they get back?

The Clerk. Mr. Talmadge?

The Chairman. Aye by proxy.

The Clerk. Mr. Ribicoff?

(No response.)

The Clerk. Mr. Byrd.

(No response.)

The Clerk. Mr. Nelson?

(No response.)

The Clerk. Mr. Gravel?

(No response.)

The Clerk. Mr. Bentsen?

Senator Bentsen. Aye.

The Clerk. Matsunaga?

(No response.)

The Clerk. Mr. Moynihan.

(No response.)

The Clerk. Mr. Baucus.

Senator Baucus. Aye.

The Clerk. Mr. Boren.

Senator Boren. Aye.

The Clerk. Mr. Bradley.

(No response.)

The Clerk. Mr. Dole?

Senator Dole. Aye.

The Clerk. Mr. Packwood?

(No response.)

The Clerk. Mr. Roth?

(No response.)

The Clerk. Mr. Danforth?

Senator Danforth. Aye.

The Clerk. Mr. Chaffee?

Senator Chaffee. Aye.

The Clerk. Mr. Heinz?

(No response.)

The Clerk. Mr. Wallop?

Senator Dole. Aye by proxy

The Clerk. Mr. Durenberger?

Senator Dole. Aye by proxy.

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insofar as the basic principle of it is concerned, that the amendment would exempt incremental tertiary oil from the tax. It is my thought that we ought to discuss on tomorrow in more detail, and these votes are all tentative anyway, and that we ought to discuss tomorrow in more detail the language that follows the first sentence, because some of this the Treasury may agree with and some of it they may not agree with, and some of it they have indicated that they do not agree with, and some of these details have not been discussed, and so we ought to discuss it in the Committee. If it does not want to agree to some part of it, it can specify that which it agrees with and that which it does not.

I believe the Secretary-Treasurer can be available tomorrow to discuss this matter that Senator Dole brought up, and I believe that Senator Dole is not going to be able to be with us tomorrow, but I think he indicated that he would hope we would go ahead and discuss this matter even in his absence, and I believe that one way or the other, with the help of the staff, we can see whether we understand what he is saying.

Basically, as I understand it, the Secretary has the view that it would be best if the matter that Senator Dole brought up were left to the discretion of the Secretary. Now, what that means, I think, is something that we will have to find out after he explains just what he does have in mind, and because I understand that the thing is sufficiently complicated

that people can think they have a meeting of the minds and not necessarily have a meeting of the minds, and therefore it would be good to, but we will try with the aid of the staff and perhaps Senator Dole's assistant can be here. I think other members of the Committee are also interested in the subject matter, to see if this is a matter that can be resolved by the Secretary exercising his authority in good conscience as he thinks it ought to be done, and perhaps we can resolve the matter with the Secretary tomorrow.

Mr. Shapiro. Okay, and this is with respect to the foreign tax credit, and Senator Dole has indicated that we will work with him and his staff to have some questions that he would like to have added with regard to the foreign tax credit and the view that the Secretary of the Treasury has of that.

The Chairman. We will meet at 10:00 o'clock tomorrow. The Senate is now engaged in discussing an amendment that I must participate in, so we will stand in recess until tomorrow.

(Whereupon, at 5:10 p.m., the Committee was adjourned, to reconvene at 10:00 a.m. of the following day.)